

Docket No. 01-0704
ICC Staff Exhibit 2.0

DIRECT TESTIMONY

OF

DENNIS L. ANDERSON

ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINIOS COMMERCE COMMISSION

MT. CARMEL PUBLIC UTILITY COMPANY

DOCKET NO. 01-0704

AUGUST 22, 2002

1 Q. Please state your name and business address.

2 A. My name is Dennis L. Anderson, and my business address is 527 East
3 Capitol Avenue, Springfield, Illinois 62701.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Illinois Commerce Commission as a Senior Energy
6 Engineer in the Gas Section of the Engineering Department of the Energy
7 Division.

8 Q. Please state your educational background and work experience.

9 A. I received a Bachelor of Science degree in Civil Engineering from Iowa
10 State University in 1967. In 1979 I received a Master of Business
11 Administration degree from Illinois State University. I am a registered
12 Professional Engineer in the State of Illinois.

13 After receiving my engineering degree, I was employed by Illinois Power
14 Company in 1967. I worked for Illinois Power Company a total of 33 years
15 in various engineering, operating, supervisory, and managerial capacities,
16 primarily related to the design, construction, and operation of natural gas
17 distribution, transmission, underground storage, and peak shaving plants.
18 I retired from Illinois Power Company in April of 2000, and joined the
19 Illinois Commerce Commission in July of 2000.

20 Q. What are your primary responsibilities and duties as a Senior Energy
21 Engineer in the Gas Section of the Energy Division's Engineering
22 Department?

23 A. My primary responsibilities and duties are in the performance of studies
24 and analyses dealing with day-to-day, and long-term, operations and
25 planning of the gas utilities serving Illinois. For example, I review
26 purchased gas adjustment clause reconciliations, rate base additions,
27 levels of natural gas used for working capital, and utility applications for
28 Certificates of Public Convenience and Necessity. I also perform gas
29 meter audits.

30 Q. What is the purpose of this proceeding?

31 A. On November 7,2001, the Commission initiated its annual reconciliation of
32 the Purchase Gas Adjustment (PGA) for fiscal year 2001,as filed by Mt.
33 Carmel Public Utility Company (Mt. Carmel or Company), pursuant to
34 Section 9-220 of the Illinois Public Utilities Act (Act). This investigation was
35 initiated to determine whether Mt. Carmel's PGA clause reflects actual
36 costs of gas and gas transportation for the twelve month period from
37 January 1,2001 through December 31,2001, and whether those
38 purchases were prudent.

39 Q. What is your assignment within this proceeding?

40 A. My assignment is to determine if Mt. Carmel's natural gas purchasing
41 decisions made during the reconciliation period were prudent.

42 Q. Have you made a determination as to whether Mt. Carmel's natural
43 gas purchasing decisions were prudent?

44 A. Yes. Utilizing the Commission's criteria for prudence I have determined
45 Mt. Carmel's natural gas purchasing decisions were prudent.

46 Q. What criteria does the Commission use to determine
47 prudence?

48 A. The Commission has defined prudence as:

49 **[...] that standard of care which a reasonable person**
50 **would be expected to exercise under the circumstances**
51 **encountered by utility management at the time decisions**
52 **had to be made. In determining whether or not a**
53 **judgement was prudently made, only those facts**
54 **available at the time the judgement was exercised can**
55 **be considered. Hindsight review is impermissible.**

56 **Imprudence cannot be sustained by substituting one's**
57 **judgment for that of another. The prudence standard**
58 **recognizes that reasonable persons can have honest**
59 **differences of opinion without one or the other**
60 **necessarily being 'imprudent'. (Docket No. 84-0395,**
61 **p17).**

62 Q. What material did you review to determine the prudence of Mt. Carmel's
63 natural gas purchasing decisions during the reconciliation period?

64 A. I reviewed the direct testimony of Mt. Carmel witnesses Philip Barnhard
65 IV. I also reviewed Company responses to numerous Staff data requests
66 that directly addressed issues related to the prudence of Mt. Carmel's
67 natural gas purchasing.

68 Q. Does this conclude your direct testimony?

69 A. Yes.

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

**ILLINOIS COMMERCE COMMISSION
On Its Own Motion**

-vs-

MT. CARMEL PUBLIC UTILITY COMPANY

Reconciliation of revenues collected under gas
adjustment charges with actual costs prudently
incurred.

01-0704

NOTICE OF FILING

TO ATTACHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 22nd day of August 2002, forwarded to the Chief Clerk of the Illinois Commerce Commission, for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Dennis L. Anderson of the Energy Division, Engineering Department, a copy of which is hereby served upon you.

Steven R. Knepler
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 22nd day of August 2002.

Steven R. Knepler
Supervisor
Accounting Department

MT. CARMEL PUBLIC UTILITY COMPANY

Docket No. 01-0704

Service List

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ILLINOIS COMMERCE COMMISSION

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Steven Knepler, Accounting Department
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Dennis Anderson, Engineering Department